

Message Text

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73

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UNCLAS LISBON 3464

E.O. 11652: N/A

TAGS: BGEN, PO

SUBJ: PETROSUL REFINERY PROJECT AT SINES

REF: LISBON 3226; LISBON 2637; LISBON 2324; USDOC 14616;

USDOC 14274; USDOC 14137

COMMERCE FOR BIC/OED

PASS WHITE HOUSE CIEP - MR. FLANIGAN

PASS EXPORT IMPORT BANK

1. SUMMARY: DURING RECENT CONVERSATION, PETROSUL FINANCIAL DIRECTOR, DR. JOAO SIMOES DE ALMEIDA, TOLD COMATTACHE THAT UNRESOLVED QUESTION OF EXIM GUARANTEE REQUIREMENT REPRESENTS MAJOR OBSTACLE TO PROCUREMENT IN UNITED STATES OF MAJOR PORTION OF REFINERY'S EQUIPMENT NEEDS. SIMOES DE ALMEIDA ALSO REVEALED THAT JAPAN GASOLINE, ONE OF FOUR ORIGINAL BIDDERS ON SHORT LIST, HAS INFORMED FIRM THAT IT WILL NOT BID REFINERY ON LUMP SUM BASIS. FINANCIAL DIRECTOR ADDED THAT BID DEADLINE HAS BEEN EXTENDED FOR THREE REMAINING BIDDERS TO DECEMBER 5, 1973, AN EXTENSION OF ABOUT 50 DAYS. END SUMMARY.

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2. IN WIDE RANGING DISCUSSION OF PETROSUL'S PROBLEMS AND U.S. COMMERCIAL OPPORTUNITIES, SIMOES DE ALMEIDA EMPHASIZED THAT FIRMS'S MAJOR CONCERN IS FINALIZING IMPORT FINANCING ARRANGEMENTS. SIMOES DE ALMEIDA NOTED THAT UNTIL QUESTION OF EX IM BANK GUARANTEE REQUIREMENT IS RESOLVED, PETROSUL WILL BE UNABLE TO MAKE DECISIONS IN FAVOR OF U.S. SUPPLIERS ON PRELIMINARY WORKS (TANKAGE AND REACTORS) OR U.S. SUPPLIERS INCLUDED IN BIDS FOR GENERAL CONTRACT. COMMATT REVIEWED PETROSUL'S FINANCIAL PLAN, POINTING OUT RELATIVELY THIN MARGIN ON NET INCOME AFTER TAXES, LOW DEBT SERVICE CONVERAGES AND HIGH PROJECTED DIVIDENDS AS PERCENTAGE OF CAPITAL STOCK. SIMOES DE ALMEIDA REPLIED THAT CASH FLOW PROJECTIONS HAD BEEN BASED ON EXTREMELY CONSERVATIVE ESTIMATES OF REVENUE GENERATION. ORIGINAL PETROSUL FINANCIAL PLAN DATED MAY 25, 1973 WAS PREPARED ON WORST CASE BASIS. HOWEVER, SIMOES DE ALMEIDA SAID HIS REVISED PLAN SUBMITTED TO EX IM VP DON BOSTWICK BY LETTER DATED AUGUST 18, 1973 WAS MORE REALISTIC, THOUGH STILL CONSERVATIVE, AND PROJECTED HIGHER REVENUES AND SUFFICIENT CASH CUSHION TO PROVIDE ADEQUATE DEBT SERVICE COVERAGE. AT MOMENT, PETROSUL IS EXTREMELY ANXIOUS TO KNOW EX IM EVALUATION OF AUGUST 18 REPORT AND DECISION OF REQUESTED WAIVER OF GUARANTEE ON EX IM PORTION OF FINANCING.

3. SIMOES DE ALMEIDA SAID THAT PETROSUL HAD EXTENDED BID DEADLINE TO DECEMBER 5 AT REQUEST OF THREE REMAINING BIDDERS. ORIGINAL DEADLINE WAS OCTOBER 15. HE ADDED THAT PETROSUL PLANNED TO ANNOUNCE GENERAL CONTRACTOR AND PROCUREMENT PACKAGE IN EARLY FEBRUARY 1974. HE ACKNOWLEDGE THAT JAPAN GASOLINE HAS DROPPED OUT OF BIDDING DUE TO RELUCTANCE TO QUOTE, LUMP SUM PACKAGE WITH PRESENT CURRENCY VALUATIONS.

4. PETROSUL'S DIFFICULTY IN SOLICITING QUOTATIONS FROM SEVERAL U.S. SUPPLIERS FOR TANKAGE AND REACTORS SEEMS TO BE MINOR IRRITATION, BUT EXPLANATIONS CONTAINED IN REFTELS FROM USDOC WERE HELPFUL. PETROSUL IS NOW EVALUATING QUOTATIONS RECEIVED FROM U.S., SPANISH, ITALIAN AND BRITISH SUPPLIERS.

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5. EXIM BANK ACTION: PLEASE INFORM US OF YOUR EVALUATION OF PETROSUL'S MOST RECENT FINANCIAL DATA. PETROSUL ISISTS ANSWER REGARDING GUARANTEE WAIVER IS NEEDED URGENTLY AND SIMOES DE ALMEIDA IS PREPARED TO TRAVEL TO WASHINGTON AT ANY TIME TO DISCUSS FURTHER. POST

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